

# ACTIVITIES OF TRADE UNIONS IN COMPANIES OWNED BY THE STATE TREASURY AS A SOURCE OF ORGANIZATIONAL PATHOLOGIES

**Jerzy Choroszczak<sup>1</sup>**

## **Abstract**

*The following paper presents areas of trade unions activities in companies owned by the State Treasury, which may be a source of organizational pathologies. The author analyses the structure, privileges, and rights of trade unions in Poland. The functioning of trade unions in companies owned by the State Treasury is subject to deeper analysis. Indications have been identified in this area that the number of trade unions in companies owned by the State Treasury is significantly higher than in private companies, especially service ones. An important part of this paper is the analysis of specific trade unions activities leading to the development of organizational pathologies in companies owned by the State Treasury.*

**Keywords:** *trade unions, organizational pathologies, companies owned by the State Treasury.*

## **1. Introduction**

Activities of trade unions have been evoking intense emotions for many years, while their impact on enterprises, employees and the national economy is multidimensional. Although in general, the number of workers in trade unions in Poland is decreasing in the long run, there are still areas of the national economy where trade unions have a strong position and substantially affect the functioning of enterprises.

The main aim of this paper is the identification of potential sources of organizational pathologies in Treasury companies caused by trade unions. In addition, the purpose of this paper is to examine indications why trade unions have found a fertile ground for the development particularly in companies owned by the State Treasury.

---

<sup>1</sup> Jerzy Choroszczak, Ph.D., Assistant Professor, Department of Management, Faculty of Social Sciences and Informatics, Wyższa Szkoła Biznesu – National Louis University, ul. Zielona 27, 33-300 Nowy Sącz, e-mail: [jchorosz@wsb-nlu.edu.pl](mailto:jchorosz@wsb-nlu.edu.pl).

To achieve objectives set out in this paper, the author relied on the research of mainly secondary press materials relating to actions taken by trade unions in companies owned by the State Treasury.

As well as analyses and reports of the Supreme Audit Office, personal thoughts drawn from working in companies wholly owned by the State Treasury, and contacts with trade unions. In addition, the article uses scientific literature related to trade union activity and various trade union reports.

## **2. Trade unions in Poland**

The operation of trade unions in Poland is defined by Act on Trade Unions dated May 23, 1991 (with subsequent amendments). Provisions of this Act state that trade unions are organizations of workers associated on a voluntary and autonomy basis. These unions are independent in their statutory activities from employers, state administration, local government, and from other organizations (Kotowski & Kurzępa, 2012, p. 25). In the literature of the subject matter, it is also referred to as a social organization that has a corporate character (Regulska-Cieślak, 2014, p. 3). They represent employees and other people who are their members as well as defend their dignity, rights, material, and moral interests, both collective and individual. Duties of trade unions in the work establishment primarily include representing interests of their members in relation to the employer and bodies of the company's management. Trade unions within the company also deal with employees' individual issues. They also exercise control over the observance of labor regulations in the work establishment and manage activities of social labor inspectorate (Jagusiak, 2011, p. 24).

At the national level, trade unions also have the right to express opinions on legal acts, participate in collective labor disputes, and sign collective agreements. By exercising control over the observance of labor regulations, trade unions can also request the competent state administration body and local government or the employer to remove irregularities.

Trade union organizations have a lot of power to achieve their objectives. They can appear before the employer in issues concerning:

- carrying out collective negotiations, concluding collective agreements and other agreements provided for in labor regulations (i.e., collective redundancies) – it is particularly about taking a stand on relation to the employer and bodies of the company's management in matters of collective interests and workers' rights;
- consulting regulations of working conditions and salaries in branches not covered by collective agreements – in particular, to take a stand

on employees' individual issues within the scope regulated by labor provisions;

- control over the observance of labor law and participation in the supervision over the observance of regulations and the principles of workplace health and safety.

Among powers that trade unions have, one should also mention the possibility of conducting business activities and in this respect, unions are subject to the economic law. It is worth recalling that the income earned by unions in connection with run-business activities is used to achieve statutory objectives of the union and cannot be intended to be distributed among its members. Trade unions carrying out business activities benefit in this regard from tax exemptions on the same terms as associations.

In addition to rights of trade unions, their members also enjoy additional rights. An employee who was appointed by choice to perform a function within the trade union outside the work establishment, and this choice involves the obligation to work as an employee, is entitled to unpaid leave for the duration of performing this function at the request of the trade union organization. Also, employees who in addition to performing a function within the union work for a given employer, may be exempted from paid work for the time necessary to perform temporary work resulting from the trade union function outside the work establishment. For the time of carrying this activity, the employee has the right to be exempted from work while retaining his remuneration, but only on the condition that such activity cannot be performed in his free time. It is an activity resulting from the trade union function and is temporary and urgent matter. In this case, exemption from work is dependent on the will of the employer, and therefore, the employee performing a function in the trade union cannot unconditionally demand such exemption.

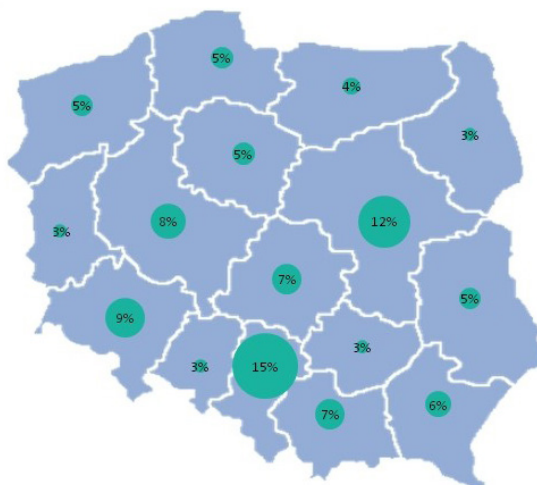
In addition to rights provided to trade unions by Act on Trade Unions and specific acts, also individual units of the union, that is, corporate trade union organizations can take advantage of the appropriate rights to achieve objectives of the union. Therefore, the scope of activities of corporate trade union organization includes:

- taking a stand on employees' individual issues within the scope regulated by labor provisions;
- taking a stand on relation to the employer and bodies of the company's management in matters of collective interests and workers' rights;
- control over the observance of labor law regulations in the work establishment, particularly the principles of workplace health and safety;
- managing activities of social labor inspectorate and cooperating with the National Labor Inspectorate, and
- dealing with the living conditions of pensioners.

Trade unions through strikes and protests can influence on the reduction of effective labor supply to raise wages. The impact of trade unions on wages can be twofold. Firstly, the trade unions can directly negotiate their amounts in the form of collective agreements with the employer. These rates remain at a level often higher than the one that would have formed in the free market. Secondly, as is often reflected in the literature, trade unions can influence wages by knowingly influencing the volume of labor supply, more specifically, through reduction. For example, active support of immigration barriers and laws setting maximum working hours and measures restricting the employment of non-unionized persons or hindering access to the union (Milewski, 2001, p. 292). The trade union, negotiating with the employer new wage conditions, very often of a long-term nature, leads to disruption of the natural labor market mechanisms leading to a state of equilibrium. Higher wages reduce the demand for labor, which in turn leads to surpluses on the labor market. As a consequence, the labor market remains in an imbalance, and the number of employees is lower than that of a typical competitive market (Poterski, 2003, p.165).

According to the Central Statistical Office, trade unions in Poland have 1.6 million members. Many organizational units of trade unions in 2015 amounted to 19,500 (Sedlak & Sedlak, 2015).

Most trade unions operate in the Silesian Voivodeship which is largely related to the functioning of mines in this area that are traditionally bastions of trade unions (Figure 1)



**Figure 1.** Structure of number of trade unions by voivodeships (%)

Source: Sedlak & Sedlak based on Central Statistical Office

Throughout the EU, every fourth employee belongs to the trade union. In Poland, as confirmed by the recent research made by Public Opinion Research Center, only about 16% of employees belong to trade unions. It is only 6% of adults in Poland. Contrary to popular opinion, Poland is not a union power, especially when compared to Scandinavian countries where, e.g., in Denmark, Sweden, and Finland between 70-80% of the employed are associated with trade unions.

In Poland, trade unions are present in 30% of companies (Hanczarek & Inglot, 2015, p. 46). The specificity of their functioning is consistent with a general trend. The larger the company, the most probable presence of the trade union – in 65% of the largest companies, in half of medium-sized companies and every fourth small company. The greatest concentration of trade unions is in the public sector where nearly 70% of the entities admit to the functioning of this type of the organization.

**Table 1.** Overview of trade unions in Poland

Trade union confederation	Number of member organisations	Number of members
NSZZ Solidarność (Niezależny Samorządny Związek Zawodowy »Solidarność«), founded in 1980, unified trade union	8,292 company trade unions, 37 regional federations, 16 branch unions	649,000
OPZZ (Ogólnopolskie Porozumienie Związków Zawodowych), founded in 1984, confederation of company branch trade unions	79 branch federations from eight branches (exact number of individual company trade unions unknown)	550,000
Forum FZZ (Forum Związków Zawodowych), founded in 2002, federation of company branch trade unions	75 branch trade unions from eight branches (exact number of individual company trade unions unknown)	420,000

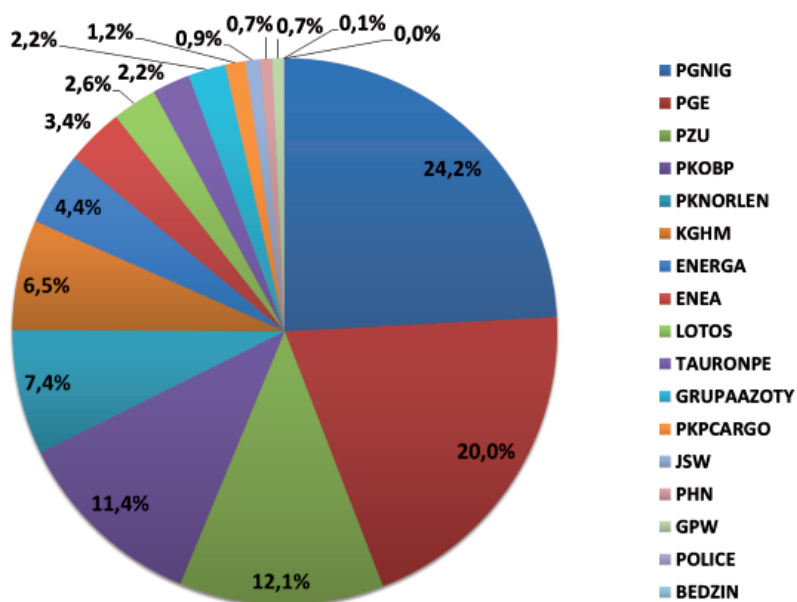
Source: Trappmann (2012, p. 3).

### 3. Trade unions in companies owned by the State Treasury

Companies owned by the State Treasury are a special type of the company used by the State to carry out business activities. The owner of such companies is the State. From the legal point of view, the company owned by the State Treasury is a type of the company created as a result of commercialization process carried out by Minister of the State Treasury at the request of the founding body, director of the state enterprise, and works council or one's

initiative. Commercialization consists in transforming a state-owned company into a limited liability company or joint-stock company (corporation). Unless the law provides otherwise, the company enters into all legal relationships whose entity was a state-owned company, regardless of the legal nature of these relationships (Act on Commercialisation and Privatisation dated 30 August 1996, Journal of Laws of 2013.216, as amended).

One can distinguish among such companies those in which the State Treasury has the majority of shares, the so-called controlling interest as well as those in which it has less than half. According to data from January 2017, the State Treasury was a shareholder of nearly 432 companies, of which 48 were under its control. This group includes various types of companies, including joint-stock companies listed on the stock exchange (Figure 2).



**Figure 2.** Structure of companies on the stock exchange belonging to the portfolio of the State Treasury

Source: <http://www.sii.org.pl/9409/edukacja-i-analizy/akcjonariusz/gieldowe-spolki-skarbu-panstwa-w-pigulce.html>.

Many trade unions in companies owned by the State Treasury is significantly higher than in private enterprises. Only in companies wholly owned by the State Treasury, there were 370 trade unions operating in 2015. One company

had an average of 3 trade unions. As calculated by Ministry of the State Treasury, the annual maintenance of trade unions in companies where the State Treasury has shares, costs over 50 million PLN. Activists of the largest trade unions in Poland earn between 6,000 – 14,000 PLN gross per month.

The most important data on trade unions in selected largest companies owned by the State Treasury is presented in the table below.

**Table 2.** Trade unions in selected companies owned by the State Treasury in 2015

Company owned by the State Treasury	Annual cost of trade unions (in million PLN)	Number of organizations/ unionization (in %)	Number of FTE's within trade unions
PKP	32	423/74	186
PGE	18	114/57,5	57,5
Tauron	15	75/72	Bd.
KGHM	10,0	45/80	43
PGNiG	8,7	41/52.5	11,0
Enea	3,0	8/65	24,5
Energa	3,0	30,55	b.d.
Orlen	2,0	10/54	10,0
Lotos	2,0	7/42,5	6,0
PSE (centrala)	1,0	5/18	Bd.
LOT	1,0	8/57	1,0
PKO BP	0,7	3/19	6,75

**Source:** Zawód związkowiec, Puls Biznesu, 9.04.2015.

Several reasons can be pointed out when considering the relatively high strength of trade unions in companies owned by the State Treasury compared to private companies (these causes were identified both on the basis of the analysis of the scientific literature as well as the author's experiences):

- Processes of commercialization and privatization of state-owned companies. The change of social and economic system started in Poland in 1989, and resulted in a new task assigned to the state authorities, i.e., carrying out the process of commercialization and privatization of state-owned companies. Forms of the employee participation were closely related to these processes. The first step taken by the State to regulate participation was the introduction of employees' representatives to the supervisory boards of privatized companies (Ignys, 2014, p. 65). Employees selected to the supervisory board are in practice often representatives of the trade union, which has strengthened their role in supervising the management of companies owned by the State Treasury. It should be considered that irrespective of their trade union roots, people in the supervisory board have the same responsibilities with the company as the other members of the supervisory board. That means that

they should pay attention to promoting its interests. The supervisory board supervises activities of the company, actions taken by the management board and evaluates them. Unfortunately, in practice, unionists who are members of the supervisory boards tend to be more of the union interests than the interests of the company.

Companies owned by the State Treasury are large entities, often on the market for decades with extensive, highly formalized and bureaucratic organizational structure. These entities often employ vast number of employees, and it sometimes happens that they work in the company owned by the State Treasury for their whole life. It is easier for such entities to create and develop trade unions than, for example in the service sector where the unionization level is lower than in large industrial enterprises. Flexible forms of work and working via Internet gain popularity in such service enterprises. In this case, it is more difficult to have direct contacts and employees frequently change their job. Therefore, it is hard to establish the trade union, while its suitability is questionable.

When the number of members of the union is less than 150, there is a partial exemption from work for one activist. When the union associates between 150-500 members employed in the work establishment, one activist is completely exempted from the obligation to work, while retaining existing earnings, bonuses, and privileges. The number of union FTE's (full-time equivalent) increases as the number of union members grows – for each additional 1000 members of the union there is one extra FTE.

- Trade unions have largely contributed to the overthrow of centrally planned economy. People recognize their leading role in the overthrow of communism, and because of that, the State authorities often tolerate their actions, even if they are detrimental to the financial situation of the company owned by the State Treasury.
- The authorities of companies owned by the State Treasury, frequently politically assigned, tolerate actions of trade unions, even those harmful to have peace of mind. Linking the world of business and politics that is found in the company owned by the State Treasury creates a very favorable ground for the development of usually politicized trade unions.
- The economic situation of companies owned by the State Treasury is very often difficult and uncertain which creates a fertile ground for the development of trade unions. Restructuring carried out in companies owned by the State Treasury usually involves a reduction in employment, cuts in the social sphere, wage cuts or loss of privileges. All this raises fear and frustration among employees of the company owned by the State Treasury, which is effectively used by trade unions.



#### **4. The essence of organizational pathology and symptoms of the pathology in companies**

The term pathology derives from the Greek language where *pathos* means suffering and refers to the science of disease conditions and in broader sense drawbacks of the phenomenon or activity.

Organizational pathology is understood as a state of prolonged and significant dysfunction as well as an abnormality in operation of the organization that has a strong destructive influence on the functioning of the organization and prevents the organization from implementing its objectives. Professor Kieżun defines an organizational pathology as “relatively permanent incapacity of the organization, which results in the wastage exceeding the limits of social tolerance” (Kieżun, 2012, p. 16). In this respect, the pathology is the opposite of efficiency of performance understood as minimizing the wastage. The definition quoted above emphasizes cause and effect of the relationship in the pathology, namely mismanagement caused by the constant and continuing for over a long period incapacity of the organization performance.

This understanding of the pathological concept also includes the phenomenon of social behavior of individuals and specific groups contrary to the values and norms of the culture (Kozak, 2009, p. 23).

Indication of organizational pathology is its long-lasting dysfunction, disorganized work, and harmfulness having a destructive impact on internal structure of the organization (Laszczak, 1999, p. 14). Wastage, which is the effect of organizational pathology is the result of not a single action or mistake, but the effect of numerous repetitive actions – wrong and harmful for the organization, intentional or not. What is very characteristic in the case of the pathology is the fact that the organization often does not realize that is “digested by a disease.” Just like in the disease that often has no external symptoms, in the case of the organization affected by pathological phenomena, there are often no direct symptoms of malfunctioning. It is only after some time that the crisis occurs which is often already advanced and consequently difficult to be brought under control (Dyoniziak & Slabon, 1997 p. 15).

The pathology understood in such a way that the main symptom is considerable wastage of resources is in contradiction with the guiding principle of the organization operation, which is to maximize profits and minimize costs. The pathology persisting for a long time – like untreated disease will inevitably lead to weakening and destruction of the organization from the inside and ultimately to its bankruptcy.

The crisis triggered by the presence of pathological phenomena in the organization features a different character, which is dissimilar to sudden,

often explosive, and unexpected crisis defined by Mitroff, a classic of crisis management theory.

In the case of organizational pathology, the crisis is something to which the company already got used to, accepted, and does not try to fight with it. In this case, it is about maximizing its interests, profits of employees or groups of employees of a given economic entity, even at the cost of actions leading to degradation of the economic or social system. Therefore, it involves highly harmful destructive organizational and economic processes aimed at achieving goals not approved by the external social system (Dyoniziak & Slabon, 1997, p.15). This may lead to the snowball effect if these processes are not eliminated in time or fixed by means of changes in the organization – destructive processes may gradually increase, accumulate, and even result in the self-destruction of the organization, or lead other well-functioning systems to the crisis.

A similar concept and in the opinion of some authors even equal to the concept of organizational pathology is the concept of dysfunction understood as the disruption of the efficient operation of the organization, which in a longer term may lead to the development of pathological phenomena in the organization. Stocki indicates the identity in the concepts of the pathology and dysfunction, showing that the pathology is any dysfunction in the organization. This makes it impossible to achieve realistic goals designated for the organization and consistent with the social welfare in the planned time and with specified resources (Stocki, 2005, p. 49).

Symptoms of such a characteristic pathology are:

- Negative empowerment. Kieżun stated (Kieżun, 1997, p. 18) that negative empowerment consists of changing the main objective in the organization for the side objective. Moreover, such a change of objectives shows that the middle objective becomes the main objective if it all leads to wastage of resources in the social scale, and exceeds the limits of acceptable tolerance.
- Resistance to change syndrome. The implementation of deeper changes very often encounters a strong resistance in companies wholly owned by the State Treasury. Organizational change, especially on a large scale is treated as a “necessary evil” violating so desirable status quo in companies wholly owned by the State Treasury. Such a change also raises a strong resistance of employees, if it is going to involve infringement of interests or influence groups or individuals.
- Identification with object of possession or management resulting in the lack of delegation of authorities. Senior executives in companies wholly owned by the State Treasury very often cannot delegate or delegate to a small extent their authorities to employees. They deal with the current

operational issues and do not have time for planning development strategy, namely analysis of the key development factors. An example of such situation can be personal planning and organizing the promotional trip by the director, including preparation of materials for this trip. The result of this situation is overwork of the executives and engagement in solving minor problems, while problems of greater importance for the enterprise remain unsolved or postponed for later. In this case managers often have a problem with assigning tasks for those with the key importance and those which are less important, and for this reason, they choose random tasks for the implementation. This situation may be the result of small conceptual competencies of senior executives who, by dealing with operational tasks and personal involvement in solving easy problems, try to hide their shortcomings in management skills.

- Organizational attention deficit syndrome is characterized by the lack of proper selection, ordering and determining relevant information from the environment, and no perception of the functioning units in the context of strategic vision by executives. The effect of such pathology is the failure in the internal management system concerning the increase in the number of decision-making problems. As well as, taking numerous uncoordinated actions, wastage (and even theft) of resources, instability and impulsivity of actions with no consequence to their completion, using the chaos to make own interests, and formation of a “manor” having access to the decision maker.
- Responsibility decline syndrome. Employees faced with imprecisely defined tasks shift responsibility for these tasks to each other. Responsibility decline syndrome can apply to the employee who, e.g., when going on vacation does not transfer crucial and important cases or issues to his co-employee or does not inform his superior about these issues. This syndrome can also apply to the superior who cultivating *laissez-faire* approach applies to his employees the principle “do whatever you want.”
- Responsibility decline syndrome may also result from neglecting duties and tasks by employees.
- Theft of company’s property.
- Hack Taking often irrational, or even absurd decisions, no effect of learning from mistakes, and work combined with insane incapacitation of employees.
- The lack of will to cooperation between departments of the organization and the occurrence of strong antagonisms and interdepartmental as well as interpersonal conflicts.

## **5. Symptoms of destructive activities of trade unions, which are a source of pathologies in companies owned by the State Treasury**

Trade unions in companies owned by the State Treasury have undoubtedly positive aspects connected with defending workers' rights. Unfortunately, in Poland, activities of trade unions are frequently a source of pathological behaviors. These behaviors result in the occurrence of long-lasting dysfunctions or irregularities in the organization's activities which destroys the functioning of the organization and hinders the organization to achieve its objectives, especially the most important one, that is, to maximise profits of the company (Kieżun, 2012, p. 16).

When analyzing actions of trade unions in Poland (based on the analysis of scientific literature, articles as well as the author's experiences), the following destructive behaviors leading to organizational pathologies in companies can be distinguished:

- Resistance to change syndrome. The implementation of deeper organizational changes in companies owned by the State Treasury often encounters extreme resistance which is usually initiated by trade unions. Organizational change, especially with regard to a large extent, is recognized by trade unions and presented to employees of the company as a necessary evil that violates the status quo which is such desired in companies owned by the State Treasury; especially, if this change affects the interests or influences people operating in the trade union. Unfortunately, the organizational culture in companies owned by the State Treasury is not a culture orientated towards permanent changes. It is a more conservative culture, based on adopting a defensive attitude towards transformations in the company with the state capital. Adopting the defensive attitude by employees results in the organizational changes, but without conviction and greater involvement, and often without understanding the essence and need for changes. Such an attitude is usually used by trade unions, which present these changes in a bad light, manipulate employees' concerns, often resorting to lies, insinuations, and slanders. Commonly, changes occurring in companies owned by the State Treasury are very painful for employees because of the need for repair restructuring, which results in redundancies or cuts of employee benefits in the social sphere. Such changes, even though they are essential to the survival of the company, are not accepted by trade unions which are afraid of losing their influences and strongly resist, resulting in either completing half of such changes or the withdrawal of the company's management from introducing such changes. Eventually, the company and its employees are threatened with the specter of bankruptcy due to unrealized reforms and changes. Unfortunately, unionists usually fail to see that they lead to the

collapse of the organizational system. An example of such behaviour where trade unions are strongly opposed to restructuring changes can be the mining sector and restructuring of the Coal Mining Company where the implementation of the necessary restructuring changes has always faced with a wave of strikes and protests. As a result of these strikes, Mirosław Taras who was in charge of the Coal Mining Company for barely seven months has been fired for “the lack of restructuring results.” This explanation was surprising as Chairman Taras has long been convincing the need for severe restructuring and closure of mines, but the political climate and activities of trade unions did not allow him to introduce such far-reaching changes.

- Another example of the company where trade unions did not allow for the implementation of the necessary changes is the Polish Post where the collective agreement of trade unions was terminated, and a new one, more flexible was offered where the remuneration policy was to be more dependent on the employee performance. Although the management board promised that the union members would keep their privileges, those with the lowest earnings will get a pay rise, and all employees will retain their employment contracts. Such change has approached the opposition of “Solidarity” trade union, which stated that the pay rise should be even greater for distinguished employees with longer work experience. Whereas the plan of the management board of the Polish Post was to depart from the rule that the longer you work, the more you get, is inefficient and has nothing to do with the quality of work.
- As a result of strong resistance to organizational changes, the company owned by the State Treasury loses the flexibility of acting and responding to opportunities and threats coming from the environment, and as a result, it becomes less competitive compared to the private companies.
- Influencing the management of the company owned by the State Treasury. Unfortunately, trade unions are increasingly trying to interfere and influence the management process of the company owned by the State Treasury, and even replacing the company’s management in its competences and responsibilities. Trade unions strive (often successful) to influence the promotion and dismissal of employees as well as who should get a pay rise and who should not. Trade unions are also trying to influence the management board on the issue of canceling reprimands from lower-level managers. This approach was the case in Jastrzębie Coal Mining Company where unionists tried to manage the mine and had an impact on all essential issues related to the functioning of the company (Wąsowski, 2015).
- As a result of such activities, a formal promotion path was disturbed where merit, professionalism, experience, and achievements were

not taken into account, but companionship and contacts. The quality of work and the authority of management supervision suffered, while the implementation of organizational objectives was considerably impeded.

- Places in the supervisory boards entitled to employees' representatives are often appropriated by the leaders of the largest trade unions in the company which may generate and usually generate conflicts of interests. A member of the supervisory board has access to all information about the company, its trade secrets, secret plans, and sensitive financial data. This information should not be used for any individual purposes, for personal use and in the interests of members of the trade union. It often happens that confidential information is disseminated by unionists at labor rallies in order to put pressure on company bodies, usually on salary matters. It sometimes happens that the unionist gets information as a member of the supervisory board and uses it against the employer (Nartowski, 2016). Naturally, such a situation acceptable by law is another source of organizational pathology and makes the small effectiveness of ownership supervision in companies owned by the State Treasury. Linking corporate function with trade union function may cause a real conflict of interests between good corporate governance and interests of the trade union. An example can be a class action lawsuit. If actions of the management board are subject to the assessment of the supervisory board, and this in part consists of representatives of the trade union that initiated a dispute, it is a challenge to balance the evaluation of the management board actions between the support of the union and the company's distinct position and best interest.
- Trade union members also use the company in which they are employed to do their private interests that are in conflict with economic objectives of the company owned by the State Treasury or are parasites to the company. For example, in the former "Ursus" company unionists established a company which worked on the parent company's assets, producing easily marketable spare parts for tractors. At the same time, complete tractors were not sold. In Jastrzębie Coal Mining Company, wives of several trade union activists ran shops at the premises of the mine (Gadomski, 2015).
- Excessive employment in companies owned by the State Treasury is the result of the trade union policies that do not agree to redundancies which are necessary from the economic point of view. Unfortunately, it happens frequently in companies owned by the State Treasury that unnecessary FTE is kept just because the employee belongs to the trade union. Particularly important for union activists is also the provision which exempts the obligation to work for activists in larger trade union

organizations. When the number of members in the organization is less than 150, there is a partial exemption from work for one activist. When the union associates between 150-500 members employed in the work establishment, one activist is completely exempted from the obligation to work, while retaining existing earnings, bonuses, and privileges. The number of union FTE's increases as the number of union members grows – for each additional 1000 members of the union, there is one extra FTE. This pathological situation leads to higher operating costs of the company and waste of resources, in this case, human resources.

- Extremely high costs to the benefit of trade unions incurred by state-owned companies, which are usually in a difficult financial situation or are being restructured. Private enterprises do not bear such costs; therefore state-owned companies are in difficult competitive market position. It can be stated that bad situation of certain state-owned companies is indirectly dictated by the fact that they have a large number of trade unions. The annual maintenance of trade unions in companies where the State Treasury has shares, costs over 50 million PLN. Costs that companies (10 out of 15) incurred arising from the activities of trade unions were mainly due to the remuneration of members of the trade union boards. They were exempted from the obligation to work for a period of the term on the board while retaining the right to the remuneration. Control carried out by the Supreme Audit Office revealed that in three companies more than one employee was exempted from the obligation to work for a period of the term on the board than it was provided for by the regulations. In accordance with law, trade unions could also exempt employees from the obligation to work (while retaining the right to the remuneration) for the time necessary to carry out temporary work for the union (e.g., renovation of rooms). Trade unions used this back door in KHW S.A. (Katowicki Holding Węglowy S.A.) Employees were given multi-day exemptions, although works commissioned by the trade union were not temporary ones. A record-holder was on such exemption for 452 days within two years. All the controlled companies financed training and conferences for their employees. Auditors of the Supreme Audit Office have identified gross irregularities in two companies that have shown mismanagement and the violation of provisions on the public procurements. For example, KHW S.A. delegated a group of 30 employees to a four-day conference in the UK. The training part covered only one day, and it was between breakfast and lunch. The remaining time was filled with a tourist program. Costs of the delegation amounted to 133,000 PLN. The same company delegated its four employees to a two-week trip to Cambodia organized by one of trade unions. (NIK, 2015)



## 6. Conclusions

Certainly, it is difficult to assess activities of trade unions unambiguously in Poland in companies owned by the State Treasury. On the one hand, they are de facto the only force that defends the employee who in a confrontation with a large economic organization such as the company owned by the State Treasury would not have a greater chance. Trade unions are the force that mitigates often unpleasant results of the restructuring process of companies owned by the State Treasury that affect employees. On the other hand, unfortunately, they are also a destructive force, devastating the organism where they operate.

When evaluating the functioning of trade unions and their impact on companies owned by the State Treasury, it can be observed that trade unions can be a source of many organizational pathologies, resulting primarily from the poor structure of law governing the functioning of trade unions. It is required in this matter to introduce changes towards the limitation of very extensive privileges of trade unions which make them state within a state. Frequently, such trade union operating in a stable, secure environment loses contact with the reality and does not fight for the rights of employees, but for its privileges and keeping status quo.

It is not easy to assess the future of trade unions as in other countries such as France, where their activities bring real benefits to employees as well as employers. Maybe someday trade unions in Poland will cooperate with the government and employers' organization to make real improvements in the labor market and not for their benefits,

## References

- Dyoniziak, R., & Słaboń, A. (1997). *Patologia Życia Gospodarczego*. Kraków: Akademia Ekonomiczna w Krakowie.
- Ignys, A. (2014). Analiza wykorzystania bezpośredniej partycypacji pracowniczej jako formy angażowania pracowników w zarządzanie współczesnymi organizacjami. *Studia Economica Posnaniensa* 2(10), 134-145.
- Jagusiak, B. (2011). *Związki Zawodowe w Systemie Politycznym Unii Europejskiej*. Warszawa: Dom Wydawniczy Elipsa.
- Jedliński, K. (2015). Zawód związkowiec. *Puls Biznesu*, kwiecień.
- Kieżun, W. (1997). *Sprawne Zarządzanie Organizacjami*. Warszawa: SGH.
- Kieżun, W. (2012). *Patologia Transformacji*. Warszawa: Wydawnictwo Poltext sp. z o.o.
- Kotowski, W., & Kurzępa, B. (2012). *Związki Zawodowe. Komentarz Do Ustawy o Związkach Zawodowych*. Warszawa: Wydawnictwo Difin.



- Kozak, S. (2009). *Patologie w Środowisku Pracy. Zapobieganie i Leczenie*. Warszawa: Diffin
- Laszczak, M. (1999). *Patologie w Organizacji. Mechanizmy Powstawania. Zwalczanie. Zapobieganie*. Kraków: Wydawnictwo Profesjonalnej Szkoły Biznesu.
- Milewski, R. (2001). *Podstawy Ekonomii*. Warszawa: PWN
- Najwyższa Izba Kontroli. (2012). *Koszty pozaprodukcyjne w spółkach Skarbu Państwa*. Warszawa
- Nartowski, A. (2016). Związkowiec w konflikcie interesów. *Rzeczpospolita* 16.10.2016
- Poterański, J. (2003). Związki zawodowe a konkurencyjność rynku pracy. In D. Kopycińska (Ed.) *Kapitał Ludzki w Gospodarcie*. Szczecin: Wydawnictwo Polskie Towarzystwo Ekonomiczne.
- Regulska-Cieślak, M. (2014). *Związki Zawodowe w Zakładzie Pracy*. Warszawa: Wydawnictwo C.H. Beck.
- Stocki, R. (2015). *Patologie Organizacyjne – Diagnoza i Interwencja*. Kraków: Oficyna Ekonomiczna.
- Trappmann, V. (2012). *Trade Unions in Poland - Current Situation, Organisation and Challenges*. Germany: Friedrich Ebert Stiftung.

## **Legal acts**

- Ustawa z dnia 23 maja 1991 r. o związkach zawodowych. (Dz.U. 1991 nr 55 poz. 234 z późn. zm.)
- Ustawa z 30 sierpnia 1996 r. o komercjalizacji i prywatyzacji (Dz. U. 2013.216 j.t. z późn. zm.)

## **Internet sources**

- Gadomski, W. (2015). *Związkowcy – kosztowne państwo w państwie*. Obserwator finansowy.pl
- Hanczarek, T., & Inglot, K. (2015). *Funkcjonowanie związków zawodowych w Polsce*. Portal Work Service.
- <http://www.sii.org.pl/9409/edukacja-i-analizy/akcjonariusz/gieldowe-spolki-skarbu-panstwa-w-pigulce.html>
- <http://natemat.pl/133405,zwiazki-zawodowe-chca-obalac-zarzady-spolek-robic-dym-i-walczyz-o-przywileje-kto-bedzie-nastepny-po-kw-i-jsw>. M. Wąsowski.
- Sedlak & Sedlak. (2015). *Związki zawodowe w Polsce - raport*. Portal: Labor market

## **Biographical note**

**Jerzy Choroszczak** Ph.D., Assistant Professor in Wyższa Szkoła Biznesu – National Louis University in Nowy Sacz. Author of two books and scientific papers related to organizational changes, restructuring, state aid, competition law, pathology organizational and strategic management. The participant and coordinator of many research projects and trainings for managers and officials. He links the work of research and teaching with business training, consulting and business.